

## Directors' remuneration report

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### Introduction

This remuneration report sets out the company's policy on the remuneration of executive and non-executive directors together with details of directors' pay, employment agreements, letters of appointment and interests in shares. The remuneration committee aims to comply with best practice guidelines, including guidance produced by the Association of British Insurers and the National Association of Pension Funds, in producing this report. All information disclosed in the directors' remuneration report is unaudited save where it is stated that the information is audited. An ordinary resolution to approve the directors' remuneration report will be put to the annual general meeting on Friday 14 May 2010.

The directors' remuneration report has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the Regulations") and to comply with the provisions of the Combined Code. The company's auditors, KPMG Audit Plc, are required to report to the company's members on the matters set out in the Regulations, and the elements of the report which have been audited are highlighted.

### Remuneration committee

The duties of the committee cover the following key areas:

- establishing the framework of broad policy for the remuneration of the chairman, the executive directors, the divisional managing directors and the functional heads reporting to the chief executive;
- setting the targets for performance-related pay schemes for executive directors and senior executives;
- determining the policy and scope of pension arrangements for each executive director and other direct reports of the chief executive;
- approving the contractual terms for departing executive directors and senior executives and ensuring that payments made are fair to the individual and the company and that failure is not rewarded and that any duty to mitigate loss is fully recognised;
- setting the total remuneration package of each executive director including, where appropriate, benefits, the structure and payment of bonuses and share incentive awards; and
- approving material changes in reward structures across the group.

The terms of reference of the committee are available on the company's website or from the company secretary.

The committee comprises Peter Long (chairman), Alan Giles and Richard Burrows, all of whom are independent non-executive

directors. The committee met six times in 2009 and in addition was consulted on various remuneration issues between formal meetings. The company secretary, Paul Griffiths, is secretary to the committee and the group human resources director, Martin Sawkins, is invited to attend meetings of the committee to provide advice on remuneration matters, other than when his own remuneration is under consideration. The chairman, chief executive and chief financial officer attend by invitation when appropriate but no individual is present during any discussion relating to their own remuneration.

Deloitte LLP has been retained by the committee to provide advice on executive remuneration and on the Performance Share Plan approved by shareholders in 2006 and over incentive arrangements relating to John McAdam, Alan Brown and Andy Ransom, approved by shareholders in May 2008 (details of which are provided in this report). During the year Deloitte advised the company on tax matters and have provided some resources to support the internal audit function. Towers Watson advise the company on its UK pension arrangements.

During the year the committee considered the following matters:

- 2008 bonus arrangements and 2009 salaries for executive directors and senior managers;
- the company's remuneration report for the financial year 2008;
- awards under the performance share plan and related policy issues concerning the level of participation in the scheme;
- bonus arrangements for 2009 relating to executive directors and senior executives;
- arrangements in connection with the appointment or departure of a number of executives reporting to the chief executive;
- review of the likely impact of the economic and financial environment on salary inflation and directors and senior executive remuneration for 2010 following which the committee concurred with the executive's recommendation that there should be no general salary increases at management and executive levels for 2010;
- a preliminary review of alternative structures for performance criteria to apply to awards to be made under the performance share plan in 2010; and
- a review of the effectiveness of the committee.

### Remuneration policy

Following a review of remuneration policy in 2008 by the new leadership of the company, a new remuneration structure/framework was established which:

- enables the company to attract and retain the leadership talent necessary to reinvigorate and grow the business;
- rewards individual contributions for improving financial performance and implementing the organisation and process changes identified in the 2008 strategic review; and
- fully aligns each executive's interests with those of the shareholders.

This policy is reflected in the PSP awards made during 2008 and 2009 which are subject to performance conditions relating to both financial performance and shareholder value creation (described further below).

The company regularly reviews the effectiveness and competitiveness of the total remuneration and benefit packages of executive directors and senior executives, with assistance from Deloitte and respected market surveys prepared by Towers Watson.

The following summarises the company's current policy in relation to the main elements of the executive remuneration package.

Components of remuneration	Commentary
Base salary	Set at a competitive level by reference to the market median, taking into account individual skills and experience within the roles.
Annual bonus	Set at a competitive level assuming financial and operational targets are met. Links pay to the achievement of financial, strategic and operational goals.
Long-term incentive	Senior executives participate in a performance share plan designed to deliver a market competitive contribution to total remuneration relative to companies of comparable size and complexity. Performance conditions attached to these awards are intended to reward achievements against budget related targets and the creation of shareholder value. A one-off equity incentive award was approved by shareholders for the leadership team appointed in 2008, based on achieving stretching absolute share price performance targets.
Pension	Executive director pension arrangements are by way of a defined contribution arrangement with the value of contributions set at market level or through a cash alternative of a similar value.

The table below shows the approximate mix between fixed and variable pay for executive directors based on the achievement of "on-target" and "maximum" performance. The company's policy is that a significant proportion of total remuneration should be performance related.

2009	"On-target" performance	"Maximum" performance
Base salary	50%	20%
Pension	10%	5%
Annual cash incentive	25%	25%
Long-term incentive	15%	50%

This illustrates the current pay policy and therefore does not take into account the one-off awards which were made in 2008 under the 2008 Share Incentive Plan to facilitate the appointment of the chief executive and executive director, corporate development (further details relating to these awards are provided below).

### Base salaries

Executive directors and senior management salaries are reviewed with effect from 1 January each year. The committee takes into account company performance, experience and the contribution of individuals. Deloitte provides the committee with market analysis using data for companies of comparable size, complexity and market sector. Base salaries and total remuneration for executive directors have been set in line with the Deloitte data. When setting compensation arrangements the committee derives base salary and other data for senior executives from the Towers Perrin 250 "TopExec" survey.

The committee has concurred with the executive's recommendation that in the background of the general economic environment there should be no increase in base salaries for executive directors for 2010 (as was also the case in 2009), and supported the executive's plan that there should be no general salary increases at management levels in 2010 other than in exceptional cases.

The company has continued the implementation of a global grading programme to deliver a simple, understandable and consistent framework across all businesses to provide a clear and transparent structure for conducting HR processes across the group.

### Annual cash incentive

At the start of a typical year the committee sets the performance measures and targets that must be met if a bonus is to be paid under the Senior Executives' Bonus Scheme ("the Scheme"). In 2009, the performance measures for the chief executive, Alan Brown, the chief financial officer, Michael Murray, and Andy Ransom, the executive director, corporate development, focused on group profit, cash flow and performance targets necessary to turn around the financial and operational performance of the group businesses and were designed to focus on the business priorities and align their interests with those of shareholders. The executive directors have potential cash bonus entitlements of 100% base salary (120% in the case of the chief executive).

Over 500 senior executives participated in the Scheme. The performance measures for 2009 related to group, divisional and business profit and cash performance as well as non-financial personal objectives. Bonuses are typically awarded in March following the end of the financial year to which they relate and specific information on 2009 bonus outcomes are set out below. In 2010, participants in the Scheme will be measured against profit, operational cash, revenue and meeting strategic operational targets and personal performance measures. The weighting given to financial measures will vary by individual and be between 60 and 100% of the total bonus opportunity.

### Long-term share incentive plans

In 2008, shareholders approved a new share scheme under which one-off share awards were made to the new senior leadership team. Details of the awards are set out below.

The performance share plan introduced during 2006 was developed in keeping with the remuneration policy as applied at that time. Awards were made to some 500 senior managers in over 40 countries around the world in 2006 and 2007. In 2008, the committee refocused the plan on 120 of the most senior management on the basis that awards would only vest for the achievement of performance conditions relating to share price growth, with an underpin relating to individual contribution to business financial performance (described in more detail below). In 2009 the performance conditions reverted to a more conventional focus on total shareholder return but with the underpin on individual performance retained as a key feature of the performance condition.

### The 2008 Share Incentive Plan

The Rentokil Initial 2008 Share Incentive Plan ("the 2008 Plan") approved by shareholders in 2008 was designed to facilitate the appointment in 2008 of John McAdam, chairman, Alan Brown, chief executive, and Andy Ransom, executive director, corporate development and to motivate them over a sufficient period to

deliver a turnaround in corporate performance. The key features of the Plan are as follows:

- an award to each of John McAdam, Alan Brown and Andy Ransom of 7.5 million shares, with vesting of the awards based on absolute share price performance targets;
- until a minimum share price of £1.20 has been met over a sustained period, no shares will be earned. At £1.20, 20% of the award would be earned, rising on a straight-line basis to full vesting at a share price of £1.80;
- for achieving growth in market value between a share price of £1.80 and £2.80 further shares may be earned on a straight-line basis up to a maximum of a further 50% of the original award;
- the performance condition will only be satisfied if the share price target is achieved over a sustained period, demonstrating realisable value creation for shareholders. This will be measured on the basis of an average share price over any 60 consecutive trading days during the performance measurement period;
- up to one-third of the award may vest following the end of the third year, two-thirds following the end of the fourth year and the final third following the end of the fifth year, based on the extent to which performance targets have been achieved; and
- any unvested portion of the award following the end of the fifth year will lapse.

No further awards may be made under this plan.

#### The Performance Share Plan ("the PSP plan")

In 2006, shareholders approved the PSP plan which was designed to enable participants selected on a discretionary basis to earn shares in the company based on achieving stretching performance targets. The principal features of the plan are as follows:

- awards are made over shares with a face value set by reference to a multiple of base salary, which vest subject to the achievement of performance conditions over a three-year period;
- under normal circumstances, awards will be granted annually with the face value of awards ranging between 25% and 200% of base salary depending on seniority. In exceptional circumstances, a grant of up to 250% of base salary may be made to a participant in any year;
- the performance conditions that applied in 2006 and 2007 related to Rentokil Initial's relative total shareholder return (TSR) performance (50% of the award) and earnings per share (EPS) growth (50% of the award);
- following the appointment of the company's new leadership early in 2008, the committee considered that for 2008 only it would be appropriate to align the performance criteria for awards under the performance share plan with the share price appreciation targets contained in the 2008 plan, as well as the achievement of budget related financial performance conditions used to manage the business. The performance condition for the 2008 award is described in more detail below;

- for awards made in 2009 the committee reintroduced a relative TSR measure (replacing absolute share price targets), to reflect market practice and shareholder preferences. The financial performance underpin introduced in 2008 continues to operate as the committee considers this to be helpful in aligning the plan with shareholders' wider interests; and
- the committee considers that this combination of performance conditions continues to be an effective basis for incentivising the senior management group on an on-going basis, and the committee currently intends to maintain this approach for awards made in 2010.

PSP Plan performance conditions are summarised as follows:

#### 2006 Awards

Awards made under the PSP in 2006 failed to meet the TSR or EPS performance condition on their maturity in 2009 and accordingly awards made under it in 2006 have lapsed.

#### TSR (2007 awards)

Rentokil Initial's TSR performance is compared against two different groups of companies established at the date of the award:

- 75% of the TSR part of the award is based on a comparison against the constituents of the FTSE 100, excluding financial services and resources companies;
- 25% of the TSR part is based on a comparison with a selected group of international support services companies. For awards made in 2007, these companies were: Brambles Industries, The Capita Group, Compass Group, The Davis Service Group, Group 4 Securicor, Hays, MITIE Group, Prosegur Compañía de Seguridad SA, Rexam, Serco Group, Securitas AB, SGS SA and Sodexo Alliance SA; and
- TSR will be calculated in accordance with the rules of the plan by the committee's advisers and approved by the committee.

The TSR part of an award is subject to the following vesting schedule:

TSR against relevant comparator group	% vesting of relevant part of award
TSR performance at or above upper quartile	100%
Pro-rating between these points	
TSR performance at median	25%
TSR performance below median	0%

#### EPS (2007 awards)

The EPS part of the award will vest depending on the cumulative annual growth in EPS over a three-year period as follows:

Cumulative EPS growth over performance period	% vesting of relevant part of award
8% per annum	100%
Pro-rating between these points	
5% per annum	33.3%
Below 5% per annum	0%

EPS will be calculated on a normalised, pre-exceptional earnings per share basis, as determined by the committee, to ensure consistency for comparative purposes, and may be adjusted to take account of matters such as material acquisitions and disposals to reflect the business structure appropriately.

### Share price growth (2008 awards)

For 2008 only, the committee considered that it was appropriate to use a share price target performance condition which mirrored the share price targets contained within the 2008 plan for the senior leadership team appointed in 2008. These targets are based on the highest average share price achieved over any 60 consecutive dealing days during the period from 1 April 2008 to 61 dealing days following the announcement of the company's results for the financial year ended 31 December 2010. The table below shows the percentage of an award that could be released based on different levels of absolute share price performance:

Highest average market value	Applicable percentage
Less than £1.20	0%
£1.20	20%
£1.80	100%

Awards will vest on a straight-line basis between each point above.

The committee believes that delivering strong and consistent financial and operational performance on a year-by-year basis is key to creating long-term shareholder value. For this reason, an individual performance modifier (based on annual bonus outcomes), has been introduced to provide additional motivation for every individual who participates in the PSP to work towards delivering the business plan.

The effect of the individual performance modifier would be to reduce the level of award that would otherwise vest to zero if an individual fails to reach threshold performance under the annual bonus in each of the three years following grant. If "target" bonus outcomes are achieved in each year, there will be no impact on the vesting of the PSP award. If an individual's performance is such that they achieve maximum levels of award under the bonus plan in each of the three years, the level of vesting based on the share price appreciation targets above would be doubled. This modifier also has the benefit across the group of ensuring that exceptional performance in individual cases is rewarded, while individuals who have not made an equitable contribution to the overall performance of the group do not benefit disproportionately.

The performance multiplier will be based on achievement of annual bonus targets in respect of each financial year.

Achievement against annual bonus targets in respect of each financial year (average over performance period)	Below threshold	Threshold bonus	Target	Maximum
	Individual Performance Multiplier	0%	20%	100%

Awards will vest on a straight-line basis between each point above.

### TSR (2009 awards)

For awards made in 2009 the committee replaced the share price target used in 2008 with a relative TSR measure, reflecting market practice and shareholder preferences. TSR performance will be measured relative to the constituents of the FTSE 350 index, excluding financial services and primary resources sectors. The FTSE 350 is recognised as a broad index, and was considered to be an appropriate benchmark for measuring performance given the company's membership of the FTSE 250, the scope and scale of the company's international operations, and the diverse nature of companies in the business services sector.

The performance modifier introduced in respect of 2008 awards will continue to operate as the committee considers this to be helpful in aligning the plan with shareholders' wider interests. Accordingly, there is the possibility that awards could vest at two times the target number of shares, if the business achieves upper quartile TSR performance over the performance period and financial performance that leads to maximum bonus outcomes in each of the three consecutive financial years for the relevant business unit. The committee considers this to be an appropriately ambitious goal that will not be easily achieved. The performance modifier challenges the executive group, and all participants in the PSP, to deliver strong and consistent financial performance in each year. If bonus targets are not met, awards under this plan will be proportionately scaled back; and awards will lapse completely if a threshold financial performance level is not achieved.

### Forward looking policy (2010 onwards)

The committee considered that the level of awards and nature of the performance conditions for the awards in 2009 continues to be an effective basis for incentivising the senior management group of some 120 individuals and the committee currently intends to maintain the current approach to long-term incentive arrangements in 2010, but is proposing to extend participation to approximately a further 150 senior colleagues albeit at a lower level of award.

### Chairman and non-executive directors

The chairman and non-executive directors have letters of appointment which set out their duties and responsibilities.

John McAdam has a letter of appointment setting out his responsibilities for the management of the board under which he receives fees of £350,000 per annum. He received an award on appointment under the 2008 plan, approved by shareholders in connection with his appointment in May 2008, details of which are described above and in the schedule of interests in shares shown below. He is not eligible to participate in the company's annual cash bonus plan or in the company's other incentive arrangements. His appointment is for an initial three-year term, terminable by 12 months' notice (company) and six months' notice (chairman) and is subject to appropriate post termination restrictive covenants.

The appointment policy for non-executive directors is that they should be appointed for an initial period of three years, which would be extended for two further periods of three years by mutual consent. Non-executive directors do not have service contracts and

they do not participate in any of the company's incentive schemes nor are they eligible to join the company's pension scheme. There are no provisions for notice periods or compensation in the event of termination of the appointment of a non-executive director and no element of their remuneration is performance related. No non-executive director has any personal interest (other than as a shareholder) in the matters under consideration, nor any conflicts of interest arising from other directorships or any day-to-day involvement in running the business. No director plays a part in any discussion about his own remuneration. Expenses reasonably incurred on travel and in the performance of their duties are reimbursed.

In addition to the arrangements concerning the chairman described above, all other non-executive directors have specific terms of engagement and their remuneration is determined by the board on the recommendation of the non-executive directors' fees committee of the board (comprising the chairman, the chief executive and the chief financial officer) within the limits set by the articles of association and based on independent surveys of fees paid to non-executive directors of similar companies. The level of fees was reviewed during the year by the committee based on external data. This showed that for companies of similar size and complexity, base fees should be increased from the level set in 2005 of £45,000 to £55,000 and the change took effect in October 2009. The chairmen of the remuneration and audit committees were each paid an additional £10,000 per annum. On the basis of external comparative data, these amounts were also increased to £15,000 per annum from 1 October 2009. The senior independent director receives a further £5,000 per annum for acting in that capacity.

The fees paid to the chairman and non-executive directors in the year are set out in the following table which has been audited:

	2009 £000	2008 £000
John McAdam (from 14 May 2008)	350	221
Peter Bamford	48	45
Richard Burrows (from 14 January 2008)	48	43
Alan Giles	48	45
Peter Long (remuneration committee chairman and senior independent director)	64	60
William Rucker (i) (from 15 February 2008)	48	41
Duncan Tatton-Brown (audit committee chairman)	59	55
Former directors	–	76
<b>Total</b>	<b>665</b>	<b>586</b>

(i) William Rucker's fees are paid to Lazard & Co. Ltd.

Set out below are the interests in shares of non-executive directors who were directors at 31 December 2009. The following table has been audited:

Rentokil Initial plc ordinary shares of 1p each	31 December 2009 Beneficial Interests	1 January 2009 Beneficial Interests
John McAdam (i)	20,800	–
Peter Bamford	38,000	38,000
Richard Burrows	25,000	25,000
Alan Giles	12,000	12,000
Peter Long	2,000	2,000
William Rucker	100,000	100,000
Duncan Tatton-Brown	12,000	12,000

(i) On 19 March 2009, John McAdam purchased 20,800 shares in the company at 48.0969p per share.

### Executive directors' contracts

It is the company's policy that executive directors should have rolling contracts subject to one year's notice by the company. The current executive directors have rolling contracts which are subject to one year's notice by the company and six months' notice by the director. Alan Brown's and Andy Ransom's service agreements are dated 7 October 2008.

Michael Murray was appointed a director and chief financial officer on 5 January 2009 and has a service agreement dated 4 December 2008, under which he is entitled to a basic salary of £400,000 and other usual benefits. On appointment he became entitled to an award under the company's performance share plan for 2008 at the rate of 150% of basic salary and was entitled to participate in future awards under the plan. Michael Murray resigned as a director with effect from 31 March 2010.

The company's policy in respect of the notice periods for the termination of executive directors' contracts conforms to the Combined Code. The committee is fully aware that under the Combined Code and acting within the contractual framework it should take a robust line over payments to departing directors. On termination without notice, executive directors are entitled to a payment equal only to base pay and the value of benefits for the duration of the notice period.

### External appointments

Executive directors are entitled, subject to board approval of the specific appointment, to accept one non-executive directorship or similar appointment outside the company, and to retain the fees in connection with such appointment. No executive director held any external appointments during the year or at the date of this report.

### Executive shareholding requirements

Recognising investors' preferences for executive shareholding requirements, the company introduced shareholding guidelines in 2006. Executive directors will be expected to build (if necessary, over a period of up to five years from appointment) and subsequently maintain a holding of company shares with a market value equivalent to their annual salary. The committee may take into account directors' compliance with the shareholding guidelines (acknowledging any special circumstances that might apply) when considering future long-term incentive awards.

### Pensions

Executive directors are entitled to participate in defined contribution pension arrangements or receive additional gross salary in lieu of pension contributions from the company at the rate of 25% of base salary which is in line with the contribution rate for other senior executives participating in the company's UK defined contribution pension scheme. Alan Brown and Andy Ransom received a salary supplement in lieu of a pension contribution. A salary supplement in lieu of pension contribution is not counted as salary for bonus purposes.

### Bonus

In respect of Alan Brown, Michael Murray and Andy Ransom, the committee approved a bonus plan for 2009 under which they could earn 100% of salary (before the application of the modifier – see below) with the following features: 50% of bonus earning potential related to group profit performance and 50% to the achievement of cash conversion targets. The plan provided that any earned bonus is subject to a modifier which is based on personal performance achievements which at an exceptional level would increase the bonus payment by up to a further 10% for executive directors and by up to 20% for the chief executive.

The committee reviewed the 2009 bonus plan outcome for the group's senior management population based on the targets set at the start of the financial year. The bonus outcomes reflect strong performance across the range of performance measures: excellent cash conversion and generally good outcomes across the group on performance against businesses' annual operating plans. The committee approved the payment of bonuses under the plan to the chief executive, Alan Brown, chief financial officer, Michael Murray, and executive director, Andy Ransom, which after the application of the personal performance modifier described above were in the amounts set out in the table below.

For 2010 the committee has approved a bonus plan for the group's senior management, which is similar in structure to the 2009 bonus plan but with the introduction of an additional revenue measure to encourage a focus on top-line growth, which for the chief executive will represent 25% of this potential award. Cash conversion will represent 25% of the award with profit 50%. For other executive directors, the percentage relating to the three measures will vary depending on specific operational priorities. The overall bonus remains unchanged from 2009.

### Interests in shares

The following table sets out the interests of executive directors, who were directors on 31 December 2009, in the shares of the company – the table has been audited:

Rentokil Initial plc ordinary shares of 1p each	31 December 2009 Beneficial Interests number	1 January 2009 Beneficial Interests number
Alan Brown <sup>(i)</sup>	20,800	–
Michael Murray <sup>(ii)</sup>	52,000	–
Andy Ransom <sup>(iii)</sup>	52,000	–

(i) On 19 March 2009, Alan Brown purchased 20,800 shares in the company at 48.0969p per share.

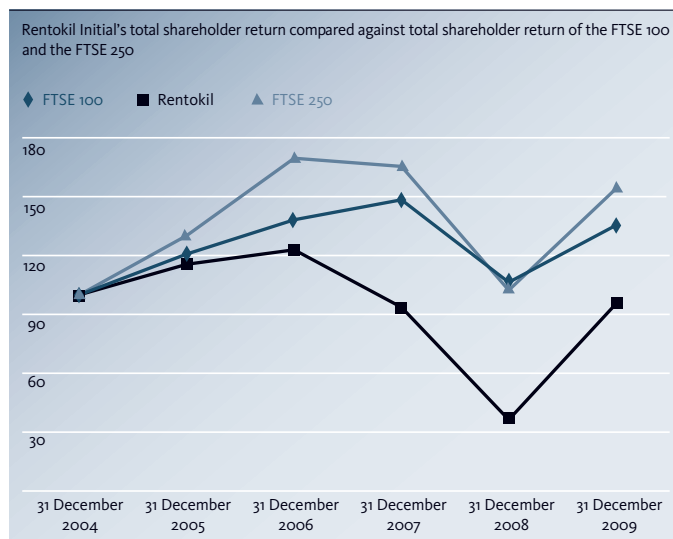
(ii) On 19 March 2009, Michael Murray purchased 52,000 shares in the company at 48.0969p per share.

(iii) On 19 March 2009, Andy Ransom purchased 52,000 shares in the company at 48.0969p per share.

### TSR performance graph

The following graph shows the company's total shareholder return (TSR) performance relative to the FTSE 100 Index and FTSE 250 Index, on a consistent basis with the graph shown last year. The company has been a constituent of both these indices over the five-year period that is shown.

### Rentokil Initial versus FTSE 100 and FTSE 250 Indices



**Total pay and benefits for executive directors**

The table below sets out the pay and benefits of executive directors. The following table has been audited:

	Salary £000	Termination payments £000	Pension provision £000	Bonus £000	Allowances/ benefits £000	Total £000	2008 £000
Alan Brown	775	–	194	665	22	1,656	597
Michael Murray	397	–	99	312	16	824	–
Andy Ransom	450	–	113	351	20	934	312
<b>2009</b>	<b>1,622</b>	<b>–</b>	<b>406</b>	<b>1,328</b>	<b>58</b>	<b>3,414</b>	
2008	1,596	1,669	399	–	77	3,741	3,741

(i) Executive directors are provided with life insurance, private health cover and a company car or a car allowance. The value of the benefits is included under "Allowances/benefits" in the above table.

(ii) Alan Brown, Michael Murray and Andy Ransom had a maximum bonus opportunity for 2009 of 100%, subject to an additional 10% modifier (20% for Alan Brown) based on personal performance, and actual payments earned in respect of the year are shown above.

(iii) Details of long-term incentives for executive directors are shown in the table below.

**Share incentive awards**

Share incentive awards have been made to the chairman and executive directors as follows – the table has been audited:

	Date of award	Plan	Market price at award	At 1 January 2009	Shares awarded during 2009	Vesting date	At 31 December 2009
John McAdam	26/06/08	2008 Plan <sup>(i)</sup>	100.50p	7,500,000	–	2011 <sup>(i)</sup>	7,500,000
Alan Brown	26/06/08	2008 Plan <sup>(i)</sup>	100.50p	7,500,000	–	2011 <sup>(i)</sup>	7,500,000
Andy Ransom	26/06/08	2008 Plan <sup>(i)</sup>	100.50p	7,500,000	–	2011 <sup>(i)</sup>	7,500,000
Alan Brown	12/06/09	2009 PSP	88.25p	–	2,144,092 <sup>(iii)</sup>	31/12/12	2,144,092
Andy Ransom	12/06/09	2009 PSP	88.25p	–	1,037,464 <sup>(iii)</sup>	31/12/12	1,037,464
Michael Murray <sup>(ii)</sup>	05/01/09	2008 PSP	45.50p	–	1,318,681 <sup>(iii)</sup>	31/12/11	1,318,681
Michael Murray <sup>(ii)</sup>	12/06/09	2009 PSP	88.25p	–	922,190 <sup>(iii)</sup>	31/12/12	922,190

(i) The awards under the 2008 Plan to John McAdam, Alan Brown and Andy Ransom can be increased from the initial award of 7.5 million shares by 50% to 11.25 million shares in the event that the share price performance condition reaches £2.80 per share (subject to the rules of the plan). Awards under the Plan are subject to a performance condition determined at the date of grant of the awards which relate to share price performance between 1 April 2008 and three specified vesting dates in 2011, 2012 and 2013. These vesting dates will be 61 dealing days after the announcement of the company's financial results for years ending 31 December 2010 ("first vesting date"), 31 December 2011 ("second vesting date") and 31 December 2012 ("third vesting date").

(ii) Michael Murray received an award under the PSP plan following his appointment on 5 January 2009 and both awards will lapse on his leaving the group on 31 March 2010.

(iii) The 2009 awards in the above table assume a TSR performance in the upper quartile or above is reached at the end of the vesting period and that participants achieve their maximum bonus in each of the three years over the vesting period. No shares will vest if the share price does not reach median TSR performance at the end of the vesting period or if threshold financial performance conditions are not met.

Approved by the board of directors on 26 March 2010.



**Peter Long**  
Chairman, Remuneration Committee